

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 PA-04

PRS-01 USIA-15 SS-20 NSC-07 DRC-01 /155 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8700

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L PARIS 10319

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, FR

SUBJECT: EC PROPOSALS ON GOLD

REF: THE HAGUE 2042

1. BROSSOLETTE, DIRECTOR OF TREASURY IN FRENCH FINANCE MINISTRY, HAS COMMENTED BRIEFLY TO US ON POSITION REACHED ON GOLD AT ZEIST MEETING OF EC FINANCE MINISTERS APRIL 22-23. BROSSOLETTE, TOGETHER WITH BANK OF FRANCE GOVERNOR WORMSER, REPRESENTED FRANCE IN ABSENCE OF FINANCE MINISTER GISCARD D'ESTAING.

2. BROSSOLETTE'S DESCRIPTION OF EC POSITION TALLIES
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WITH THAT CONTAINED IN REFTEL. HE SAID THAT AS REGARDS TRANSACTIONS OF CENTRAL BANKS ON OPEN MARKET, GROUP

HAD ENVISAGED POSSIBILITY OF MECHANISM WHEREBY A COMMITTEE OF CENTRAL BANK GOVERNORS WOULD PERIODICALLY FIX UPPER AND LOWER LIMITS ON PRICES AT WHICH SUCH TRANSACTIONS COULD TAKE PLACE. PURPOSE OF THIS DEVICE WOULD BE TO TRY TO DAMPEN FLUCTUATIONS IN MARKET GOLD PRICE.

3. BROSSOLETTE SAID FRENCH WERE NOT HAPPY WITH PRO-VISO INSERTED AT BRITISH AND DUTCH INSISTENCE THAT THERE SHOULD BE NO NET ACQUISITION OF GOLD BY ANY ONE CENTRAL BANK FROM MARKET OVER COURSE OF YEAR. WHILE THEY HAD FINALLY ACQUIESCED IN THIS FEATURE, THEY FELT IT WOULD BE EXCEEDINGLY COMPLICATED TO ENFORCE. THEY ALSO FELT PROVISO WAS NOT NECESSARY TO MAKE IT CLEAR THAT EC PROPOSAL WAS NOT DESIGNED TO PUT GOLD BACK INTO CENTER OF MONETARY SYSTEM. BROSSOLETTE ARGUED THAT IT WOULD TAKE A LOT MORE THAN AN AGREEMENT RE CENTRAL BANK TRANSACTIONS IN GOLD TO DO THAT.

4. BROSSOLETTE SAID EUROPEANS FELT GOLD QUESTION WAS OF SOME URGENCY, BECAUSE OF ITALIAN NEED TO COVER FOREIGN EXCHANGE DEFICIT. IF INTERNATIONAL UNDERSTANDING COULD BE WORKED OUT ON GOLD, BANK OF FRANCE WOULD BE PREPARED TO ENTER INTO A TOKEN TRANSACTION WITH BANK OF ITALY -- FOR, SAY, \$10 MILLION -- TO DEMONSTRATE WORKABILITY OF ARRANGEMENT.
IRWIN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MINISTERIAL MEETINGS, BANKERS, GOLD CRISIS, FOREIGN EXCHANGE RATES, VISITS, GOLD TRANSACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS10319
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740102-0031
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974046/aaaaaeto.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: THE HAGUE 2042
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by boyleja>; APPROVED <11 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC PROPOSALS ON GOLD
TAGS: EFIN, FR, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005